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DAVID L. SIERADZKI  
PARTNER  
(202) 637-6462  
DLSIERADZKI@HHLAW.COM

COLUMBIA SQUARE  
555 THIRTEENTH STREET, NW  
WASHINGTON, DC 20004-1109  
TEL (202) 637-5600  
FAX (202) 637-5910  
WWW.HHLAW.COM

June 18, 2001

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JUN 18 2001

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Magalie Roman Salas  
Secretary  
Federal Communications Commission  
445 Twelfth St., S.W.  
Washington, D.C. 20554

Re: Federal-State Joint Board on Universal Service,  
CC Docket No. 96-45

Dear Ms. Salas:

On behalf of Palau National Communications Corp., I am enclosing for filing an Erratum to the *ex parte* filed with the FCC on June 15, 2001. The filing contained a typographical error and is corrected in the attached filing. Please disregard the original filed version and accept the attached corrected version in its place.

We regret this error. Please contact me if you have any questions.

Respectfully submitted,

*David Sieradzki*

David L. Sieradzki  
Counsel for Palau National Communications  
Corporation

Enclosures

cc: Katherine Schroder  
Eric Einhorn  
Katie King  
Anita Dey

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445 Twelfth St., S.W.  
Washington, D.C. 20554

Re: Federal-State Joint Board on Universal Service,  
CC Docket No. 96-45

Dear Ms. Salas:

On behalf of Palau National Communications Corp., I am writing to notify you of an *ex parte* presentation yesterday afternoon regarding the proceedings referred to above, to Katherine Schroder, Chief, Accounting Policy Division, Common Carrier Bureau; Eric Einhorn, acting deputy chief, Accounting Policy Division; Katie King of the Accounting Policy Division; and Anita Dey of the Telecommunications Division, International Bureau. Participants in this presentation included J. Marvin T. Ngirutang, Jr., Counselor in the Embassy of the Republic of Palau, and the undersigned, counsel to the Palau National Communications Corp. The meeting covered the matters addressed in the attached handout.

If you have any questions, please contact me.

Respectfully submitted,



David L. Sieradzki  
Counsel for Palau National Communications  
Corp.

HOGAN & HARTSON L.L.P.

Magalie Roman Salas

June 15, 2001

Page 2

Enclosures

cc: Katherine Schroder  
Eric Einhorn  
Katie King  
Anita Dey



Palau National Communications Corporation

PNCC

# Universal Service for Palau

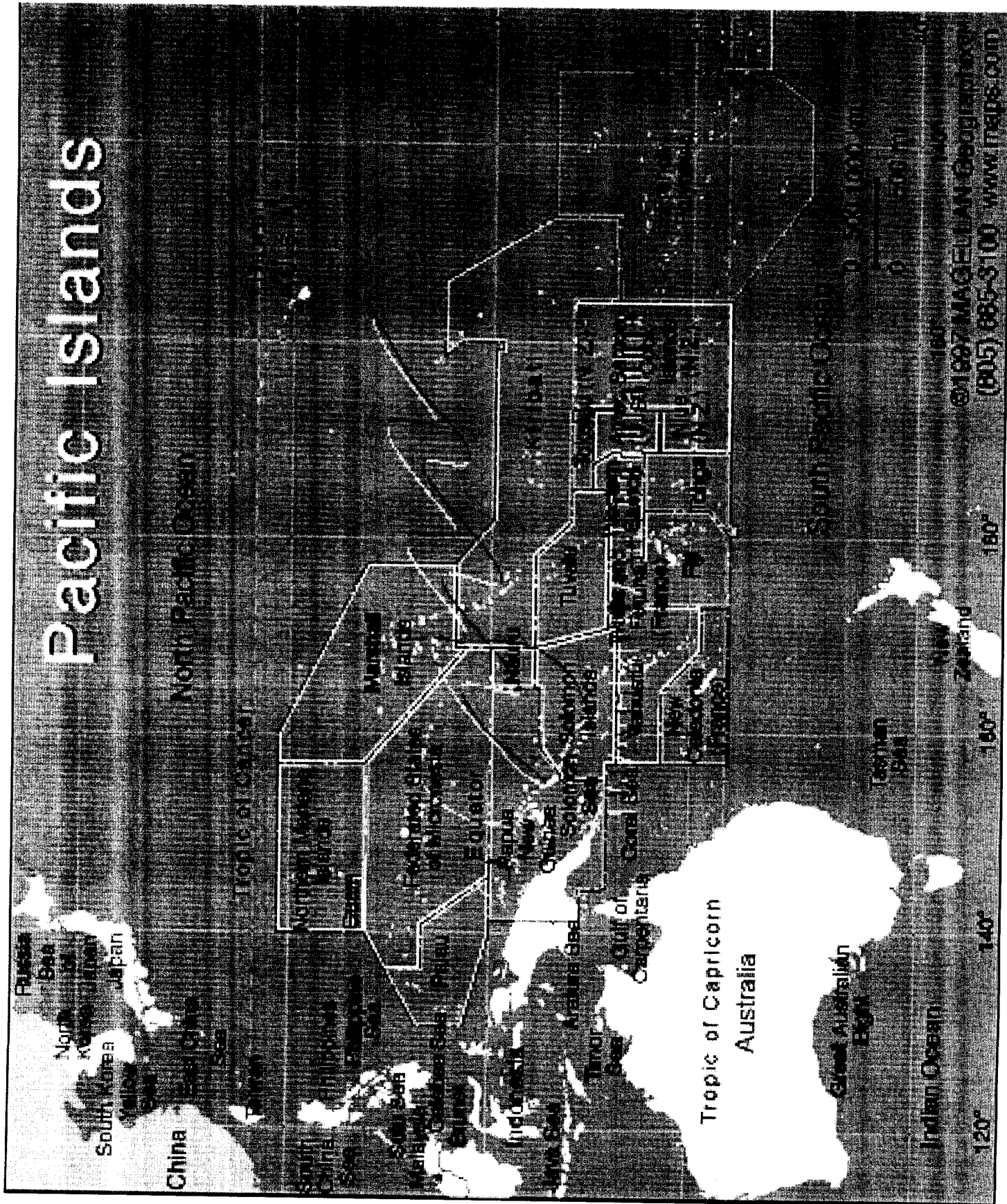
June 2001



# Background on Palau

- The Republic of Palau, with a population of about 20,000, is a former Trust Territory of the United States.
- Since 1994, Palau has been independent, but remains closely associated with the U.S. under a Compact of Free Association with the United States.
- The Compact of Free Association guarantees the U.S. Armed Forces access to Palau's strategically located islands in the Western Pacific.
  - Palau also uses the U.S. currency and postal system.
  - Numerous other services are provided by federal agencies, including the Departments of Agriculture, Education, Health & Human Services, and Interior, as well as the FAA and the FBI.

# Pacific Islands



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# U.S. Responsibility for Telecommunications in Palau

- When the trusteeship ended, the United States turned over to Palau a telephone system that was in a state of disrepair.
- Under the Compact, the Palau National Communications Corp. (PNCC) received a \$39 million loan from the USDA's Rural Utilities Service (RUS) to rebuild its telephone system. The PNCC is now paying the loan back.
- The U.S. government has also made strategic, defense-related investments in other infrastructure in Palau, including the airport, roads, and electric generating facilities. The U.S. Navy maintains a small installation in Palau.



# The Compact Provides for FCC Authority in Palau

- “The United States Federal Communications Commission has jurisdiction, pursuant to the Communications Act of 1934, 47 U.S.C. 151 et seq., and the Communications Satellite Act of 1962, 47 U.S.C. 721 et seq., over all domestic and foreign communications services furnished by means of satellite earth terminal stations where such stations are owned or operated by United States common carriers and are located in Palau.”
  - Compact of Free Association between the United States and Palau (approved Nov. 14, 1986; entered into force Oct. 1, 1994), Article III (Communications), Section 131(a)(2).



# FCC Authority Over PNCC

- PNCC owns and operates satellite earth station terminals located in Palau, and uses them to furnish domestic and foreign communications services.
- PNCC could become a "United States common carrier" if it applies for and receives a Section 214 license.
  - PNCC might need a waiver of the requirement that dominant foreign carriers operate their U.S. license through a structurally separate affiliate.



# Universal Service for Palau

- PNCC could participate in the federal universal service program and become a member of NECA.
  - Like Guam and American Samoa, PNCC could seek waivers of the “study area” rule, the ILEC definition, and other rules.
- A 1999 NPRM asked whether the term “insular areas” should include the Freely Associated States (FAS), such as Palau. 14 FCC Rcd 21177, ¶ 139 (1999).
  - The answer should be **“YES”** with respect to Palau.
  - NECA, RUS, and other agencies have indicated their support.



# Benefits of Universal Service for Palau and the U.S.

- Making universal service support available to Palau would promote the public interest.
  - **High-Cost Support**
    - Would support continuing improvement of telecommunications infrastructure, important to Palau as well as to U.S. national security.
    - Would promote economic development in Palau.
    - Would replace funds lost due to transition towards benchmark settlement rates.
    - Would enable PNCC to repay the RUS loan.



# Benefits of Universal Service for Palau and the U.S. (cont.)

- Making universal service support available to Palau would promote the public interest.
  - **Low-Income Support**
    - Would benefit the people of Palau -- per capita GDP is \$8,800.
  - **Schools, Libraries, and Telemedicine Support**
    - Would improve the quality of life.
  - **NECA Participation and Access Charges**
    - Would facilitate competition in long distance and other telecommunications services in Palau.



# The Public Interest

- As with Indian reservations and the other insular territories, the United States has a special responsibility to promote telecommunications development in the Freely Associated State of Palau.
  - Universal service support for PNCC would benefit Palau by promoting economic development supporting greater connectivity to the world.
  - Universal service support for PNCC would advance the United States' national security interests.

the United States to citizens of Palau for travel outside of Palau, the Marshall Islands, the Federated States of Micronesia, the United States and its territories and possessions.

### Article III

#### Communications

##### Section 131

(a) The Government of Palau has full authority and responsibility to regulate its domestic and foreign communications, and the Government of the United States shall provide communication assistance in accordance with the terms of a related agreement which shall come into effect simultaneously with this Compact, and such agreement shall remain in effect until such time as any election is made pursuant to Section 131(b) and which shall provide for the following:

(1) the Government of the United States remains the sole administration entitled to make notification to the International Frequency Registration Board of the International Telecommunications Union of frequency assignments to radio communications stations in Palau; and to submit to the International Frequency Registration Board seasonal schedules for the broadcasting stations in Palau in the bands allocated exclusively to the broadcasting service between 5,950 and 26,100 kHz and in any other additional frequency bands that may be allocated to use by high frequency broadcasting stations; and

(2) the United States Federal Communications Commission has jurisdiction, pursuant to the Communications Act of 1934, 47 U.S.C. 151 et seq., and the Communications Satellite Act of 1962, 47 U.S.C. 721 et seq., over all domestic and foreign communications services furnished by means of satellite earth terminal stations where such stations are owned or operated by United States common carriers and are located in Palau.

(b) The Government of Palau may elect at any time to undertake the functions enumerated in Section 131(a) and previously performed by the Government of the United States. Upon such election, the Government of the United States shall so notify the International Frequency Registration Board and shall take such other actions as may be necessary to transfer to the Government of Palau the notification authority referred to in Section 131(a) and all rights deriving from the previous exercise of any such notification authority by the Government of the United States.

##### Section 132

The Government of Palau shall permit the Government of the United States to operate telecommunications services in Palau to the extent necessary to fulfill the obligations of the Government of the United States under this Compact in accordance with the terms of related agreements which shall come into effect simultaneously with this Compact.